Mr. C. Matthai.—He was an Assistant Examiner, and he had discharged his duties to our entire satisfaction.

Mr. S. F. Nunez.—I support the motion for the grant of Rs. 1,000. I want to bring to the notice of the Government this one point. Of course, I do not want to descend into personalities. This candidate is perfectly competent. I have personal knowledge of it. He would make as good an examiner as anybody. There is a principle involved in these appointments, that examinerships should be given, as far as possible, to teachers. In civil courts commissions are always given to Vakils. This is done only on principle.

President.—So far as this matter is concerned, very careful attention was bestowed upon the selection of examiners, and the Government went into the question once more, and the choice was made, as recommended by the Director of Public Instruction

Mr. S. F. Nunez.—Well, Sir, I beg to say that I differ from him with regard to the assertions made by the Member for Education in support of this wrong principle. I challenge the Director of Public Instruction to point out in the list of examiners in the Madras Presidency, if there is any outsider who has been taken as an examiner in the Arts examination. We shall place the list on the table, and you will not find any man from outside.

Mr. C. Achyuta Menon.—When I was the Secretary to the Diwan, I was an examiner of the Madras University for 5 years.

Mr. S. F. Nunez.—It was so in olden days. But now it is not so. I speak of the Arts examination, and I know that none of the examiners are outsiders.

Mr. C. Matthai.—The present Agent to the Governor-General was telling me that he was an examiner of the Madras University for the B. A.

Mr. S. F. Nunez.—We need not follow the Madras University.

Mr. C. Matthai.—I never said we are following the Madras University.

Mr. K. T. Mathew.—I do not press the motion.

The motion for the additional allotment of Rs. 1,000 was put to the votes and carried.

The Establishment of a State Bank.

Sy. T. Madhavi Amma.—Sir, I beg to move the following resolution tabled in my name.—

"*That, in view of the supreme necessity and importance of further improving the economic condition of the State, and to finance the agricultural, industrial and trading concerns, this*

LIBRARY ARCHIVES Kerala Legislative Assembly

Council recommends the Government to establish a State Bank at its earliest opportunity."

My object in making this motion is to impress upon this House, the supreme necessity, already too long felt, of establishing a State Bank. In all progressive countries it has been the custom to make each State economically self-contained and independent. If we examine the financial condition of even the minor States and Principalities of Europe and other similar progressive countries, we find State Banks giving entire satisfaction by conferring great benefits on the people and affording immense facilities and assistance to the Government. My object is also to point out ways and means for the establishment of our own State Banks. In all undertakings of this magnitude the chief and, often, the only difficulty is the question of funds. But in our case this difficulty does not arise at all. In the budget for the current year we find an estimate of the income of Rs. 2,70,300 arising by way of interest on investments. This presupposes a capital investment of over 50 lakhs, if such capital carries 4 per cent interest, and more outlay, if the rate of interest earned is less than 4 per cent. All this represents so much wealth of this State that yields only a small return to the State, while the borrowers earn a much larger share of profit. If, on the other hand, our State has its own bank—and this State could very well afford to have one—all this enormous sum of money could be utilised to the increased profit of the State and the immeasurable advantage of its individual citizens.

It would be more profitable to the State, because it is common knowledge that, while the bank gives its depositors 3, 4 or 5 per cent interest, it lends money out to borrowers at 7, 8 and 9 per cent and even more. Most banks, even many of those on small capital and in a very modest way, have, for several years in the past, given 10 and 12 per cent dividend to their shareholders and even more. If, therefore, we estimate the extra income that could be derived for this State by its becoming its own banker, we will be sorry to realise that, for want of this simple arrangement, we have been losers to the extent of several lakhs of rupees every year, and all that, simply because we have not done what we could have and should have done in the past.

To meet the reqirements of the State, it is possible to commence our bank with, let us say, 50 lakhs of rupees. This would represent only a capital investment in the concern, to which also must be added far larger sums of deposits that will and must come pouring in, from almost its very beginning. For example, the large sums of money annually sent to foreign banks to the credit of the various departments of the Government,

LIBRARY ARCHIVES Kerala Legislative Assembly

and utilised by those banks without paying any interest to this State, will, from the moment a State Bank comes into existence and begins operations, start earning very considerable sums by way of interest. The annual total revenues of the State, amounting to more than 70 lakhs, if paid out by the State Bank to interest, can safely be trusted within the course of 12 months to pay interest at least for 6 months—deducting the other 6 months for collection, days of enforced idleness and other contingencies. This alone would, if lent out at 8 per cent, annually enrich the State to the extent of 3 lakhs. Add to this the large sums coming in by way of deposits from investors, large and small, on which a reasonable interest would be paid, and yet secure a very considerable percentage of profit to the Bank. Ten per cent dividend on the capital investment would bring in an additional 5 lakhs. If, therefore, the State funds now invested elsewhere are utilised to form a Cochin State Bank, we should soon be realising more than 10 lakhs of rupees in place of the Rs. 2,70,300 expected to be realised next year on the same capital outlay.

I am sure that this House is quite aware of the benefits and advantages of a State Bank. Perhaps, something could be said against it as well; but where it affects us beneficially, and yet so vitally, we cannot afford to shut our eyes. Every one knows that the great slump in trade for the last 8 years witnessed in every country, barring the United States of America and Japan, is the result of an acute financial stringency. Indian trade, almost inextricably connected with the European markets, suffered markedly with the collapse of the European financial system. For want of sufficient capital our traders and business men could not take advantage of the opening that suddenly presented itself to capture, or at least control, Indian trade, with the result that to this day our trade remains dependant on outside markets and outside capital. For want of indigenous capital our raw products could not be converted into finished products; and what is worse still, for want of capital, again, we could not send our raw materials to new and hitherto and unopened markets. Our raw products could not, therefore, be sold to the highest advantage, but stood condemned to be sold to whosoever came to buy it locally.

If, on the other hand, this State had its own banking organisation which would gather all the resources of the country, our citizens could not only sell their raw materials to their best advantage, but, better still, not sell them at all to outsiders as raw products which would leave the country only as finished articles. With capital available in abundance, the export and im-

LIBRARY ARCHIVES Kerala Legislative Assembly

port trade of this State will get more and more into the hands of our citizens, till the ultimate elimination of all foreigners. What consummation more desirable than this, it is difficult to conceive.

Any one conversant with the financial and economic condition of Japan will bear me out, when I say that, but for the great assistance, prompt and full, readily available to the Japanese agriculturist, manufacturer, merchant and shipper, that bleak, barren Empire, subject to periodical devastation by earthquakes and other evils, would never have risen to the eminence that is hers to-day. For its size and population ours is a prosperous State. Our men and women are intelligent and hard working. So far they have fully taken advantage of the possibilities within reach, and if there are still further possibilities for popular advance, it is the function of the State to bring them within the reach of the average man. If, therefore, by conserving the resources of the State in a careful and scientific manner, the State can be enriched by increasing the productivity of the land, and its labour, we, who, for the time being, are the custodians of the popular interests, shall be wanting in duty towards those we have chosen to represent, if we do not strive our best and obtain the best possible results.

Before concluding, I should also point out that the problem of finding sufficient employment for our boys and girls is becoming more and more acute. Year after year, hundreds of boys and girls are coming out of our schools and colleges, forced to fight the battle of life, most of them without adequate resources and weapons, a great many facing starvation in all its naked reality. To supplement individual resources and supply the deficiency, wherever found, is the proper and legitimate function of the modern State. Our lands have almost reached their maximum of productivity. Our public services are manned by capable hands. Our trade and commerce flow smoothly. With all that, there is a huge surplus population awaiting employment. Other fields have to be explored, if the rising generation of our boys and girls are to develope into contented and peaceful citizens. A State Bank is one such field, a big field, and a very important one too. Such a bank confers benefits almost immediately, giving occupation to a very considerable number, affords ample opportunities, and promises to become an unfailing remedy for most evils that had one time or another a State or a nation may have to encounter.

I, therefore, request that early steps be taken to establish a State Bank for the purpose of conserving the financial resources of the State so as to keep it ready and easily accessible not

LIBRARY ARCHIVES Kerala Legislative Assembly

only to the Government but also to the agricultural, manufacturing and commercial classes who are now prevented from reaping the full benefits of their activities for want of sufficient financial support.

President.—Anybody seconding the resolution?

Mr. V. K. Kochunni Menon.—Sir, I second the resolution. This subject was considered by a Committee appointed by the Government 6 or 7 years ago, and they have submitted the necessary details. But the State is not in a position now to start a bank of their own for want of funds. So it would be advisable to have a State-aided Bank, and to invest the amount which is now invested by the Government in other banks, in that bank.

President.—What is your conception involved in that?

Mr. V. K. Kochunni Menon.—The idea is to have a State-aided Bank.

Mr. M. Krishna Menon.—The idea is for the Government to recognise a bank here just like the Imperial Bank. The Imperial Bank is made use of by the British Government to invest the surplus amount of the Government therein.

President.—What you want is to have some sort of guarantee. Is it what you mean?

Mr. M. Krishna Menon.—Not only guarantee, but the whole of the Government surplus should be there.

President.—There is an amendment of Mr. T. A. Ramachandra Ayyar brought to the notice of the House. The amendment is to add the words "or State-aided Banks of *bona fide* Cochin subjects".

Mr. T. A. Ramachandra Ayyar.—But it has been brought to the notice of the House that my amendment is not happily worded.

President.—Are you satisfied that your amendment is right?

Mr. T. A. Ramachandra Ayyar.—Can I make a slight change in the amendment, Sir?

President.—What is the change that you want?

Mr. T. A. Ramachandra Ayyar.—What I mean by the amendment is that for some reason or other the Government is not inclined to take steps to establish a bank here on the lines of the Bank of Mysore or Baroda.

President.—Are there State Banks in the strict sense of the word?

Mr. O. R. Chummar.—There are State Banks in America. They are State Banks in the proper sense.

Mr. V. K. Aravindaksha Menon.—There is no State Bank in America. There is only a National Bank. It is no

LIBRARY ARCHIVES Kerala Legislative Assembly

a State Bank in the strict sense of the word. The Government has got a sort of control over the Bank, and its accounts are being audited by the Government. The State has got certain obligations to the Bank and *vice versa*. The State extends a sort of control over the Bank, which it does not exercise on other banks. Hence there is mutual aid and co-operation between the Government and the Bank.

President.—What I want to know is whether there is a State Bank in the strict sense of the word, and whether it carries out transactions just like a private bank.

Mr. O. R. Chummar.—Although the banks of England and France take up pro-note transactions, the banks in America are strictly State Banks conducted by the State.

President.—Mr. Aravindaksha Menon, who had been to America, states that there are no State Banks in America. But the State has got a sort of supervision and control over the Banks. These Banks are not prohibited from conducting private transactions. The idea involved is that the State deposits all its surplus in that Bank.

Mr. O. R. Chummar.—That is the position of the Bank of England. But the American banks are different.

President.—Let us carry on the discussion. Mr. Ramachandra Ayyar, what is the change that you want?

Mr. T. A. Ramachandra Ayyar.—By "State Bank," the mover means only a "State aided Bank." My amendment is "*or State-aided Banks or at least give financiat aid to the sound banks registered in Cochin and conducted by Cochinites, taking sufficient safeguard and guarantee for the proper use of public money entrusted to them.*"

President.—If you wish to move the amendment, I shall give you permission. Or the old amendment may be struck off, and the present one inserted, and then you are entitled to speak on that.

Mr. T. A. Ramachandra Ayyar.—The necessity for State-aided Banks has been clearly stated by the mover of the resolution. A report on the subject was submitted during the regime of Mr. Vijayaraghavachari—now, Sir. T. Vijayaraghavachari—in an exhaustive manner.

Dr. A. R. Menon.—May I know what became of that report? Did the Government take any action upon it after the report was submitted?

President.—Was there not a question on the same matter, and did you not give any answer?

Mr. A. K. Vengu Ayyar.—I don't remember.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. C. Achyuta Menon.—The Travancore Government took action on our report.

President.—Did they not feel the necessity of an enquiry?

Mr. C. Achyuta Menon.—Our proposals were accepted by them *in toto*.

President.—Dr. Menon, you may take it that no action was taken here on the report submitted by the committee.

Mr. O. R. Chummar.—What does the Hon'ble Member mean by "State-aided Bank" in this resolution?

President.—He simply says that he wants State Banks or State-aided Banks or at least to give financial aid to one of the banks of the State. That does not destroy the original resolution. If the Government is not inclined to open a State Bank, they may go to the extent of opening a State-aided Bank or give financial assistance to one of the recognised banks of the State. Mr. Ramachandra Ayyar, do you wish to make any remarks on your amendment?

Mr. T. A. Ramachandra Ayyar.—I have already made my remarks, and the necessity for a State Bank has been pointed out, and the amendment is clear. If the Government is not prepared to open a State Bank, let the Government at least help the banks conducted by the people.

President.—Now, let us discuss the resolution.

Mr. K. S. Rama Ayyar.—Sir, I quite disagree both with the original motion and with the amendment. I am entirely against the Government taking the initiative or having any direct concern in agriculture, industries or trade, most of all, in banking. All these must be left to the people. The people must themselves organise these things and work them. The duty of the Government is simply to teach the people to know how these things should be done, why, when and where. The Government may supply the incentive. The Government may provide the necessary help in the initial stages, but only so far as it is absolutely necessary. They may also make the necessary laws to see that they get on well, and even make arrangements to supervise them, if necessary. But there it must end.

Of all institutions, a State Bank or a bank conducted by the State is the oddest, the strangest thing that one can think of. I cannot understand why people should go to the Government and ask them to start a bank and do the *Hundi* Man's business. Consider, Sir, how much weakness this request betrays.

Once, Sir, I think it was in 1095, during the time of Diwan Mr. (now Sir) Vijayaraghavachari, the Government appointed a Committee to report how the banking facilities in the State might be expanded. The Committee consisted of 30 non-official

LIBRARY ARCHIVES Kerala Legislative Assembly

members, Vakils, Jenmies, merchants, mill-owners and all, and after about a year of investigation, what is it they did? They sent up a Report in which they suggested that the Government should start a State-aided Bank, and that the Government (1) should give the Bank five lakhs of rupees without interest for ten years, (2) should give the Bank another five lakhs at 4 per cent interest for ten years, (3) should pay the Bank half the working charges for ten years, (4) should provide guards for the Bank free of charges for ten years, (5) should bear the auditing charges of the Bank for ten years, and so on and so on. And what was the result? The whole thing fell through. Not because the Government did not realise the necessity for an expansion of banking facilities of the State, but because the Government saw that the people were not strong enough to stand on their own legs.

It may be true that there is a State Bank in Mysore and a State-aided Bank in Travahcore and in Baroda or Gwalior. But these are not the countries for us to follow always and for all things. These are not examples for us to copy. If, instead of wasting money to go to Mysore to see Sir Rajabhusan Chettiar or wasting time to study the conditions obtaining in mountanous Gwalior, if they had cared to know how things were being done in countries where people do not go to the Government to submit petitions and memorials so much as we do over here, and where people know what to do and how to do and where banking as a business is conducted in the rightest lines possible, they would certainly have been actuated with the incentive to organise a bank in the State, and they could have had the credit of having done some service to the country. But they were all great men. And they thought otherwise. And this matter, which is of the supremest importance to the economic development of the State, has been pending for the last seven years, and it has again come up for discussion here to-day. And what is the form in which it has come? The form is much worse than the one in which the Committee put it. The Committee asked for 5 lakhs without interest and 5 lakhs at 4 per cent. They wanted this money for business, for banking, for lending out. Money begets money. And one can, without much calculation, understand that, putting the lending rate at 6 per cent, they could make 50 or 60 thousands of rupees a year. And when they had this large sum at their disposal to meet working charges, they begged the Government for half the working charges and watchmen's charges and auditors' fees. But still they asked only for aid, although it was out of all proportions. The mover of the resolution says "We cannot do anything at all. You must do the whole thing

LIBRARY ARCHIVES Kerala Legislative Assembly

for us. We can only sit idle and grow fat. And if possible, we can be picking holes in your administration of the bank.'

People sometimes forget that they are vertebrate animals. It is then that they bend and cringe. There is no meaning in the people going to the Government and asking them to run a bank for them. It is entirely the business of the people. Let those who know the conditions in England and France or in America or Japan say whether there are banks run by the Government in any of these countries. I do not think you will find such an institution anywhere in the world. And then, how can the Government start a State-aided Bank. I say banking is purely peoples' business. As such, will any Government come forward, and say even before the Bank is started, that they can aid it? Will the Government be justified in saying any such thing? The Bank must first be started by the people. Then it must be worked for some time. If, during this period, it is possible for the Bank to create the necessary confidence in the Government, the aid from the Government will come without anybody asking for it. That is the right way of doing things. And why do people fear? It is because they have no idea of their own powers. If half a dozen people who are in this House will earnestly move in the matter, the Bank will be an accomplished fact within thirty days from to-day. But they won't do it. They cannot do it. They do not know how to do it. They do not know that they can do it, if only they want to do it.

But let not the Government do the people any harm. I have to advise the Government that, if they yield to this request, and make up their minds to start a State Bank or a State-aided Bank, as they want, the Government will be doing the people a positive harm. They will be killing the powers of the people. The Government should not do it. The power is in the people. And this is a business that they must organise for themselves. The Government, may, therefore, supply the incentive, the stimulus, so that the people may realise their powers. But there it must end. Otherwise, I again repeat that the Government will be doing real harm.

Dr. A. R. Menon.—What about the Co-operative Bank you were managing for some time? How was it working? I ask for information.

Mr. K. S. Rama Ayyar.—The Co-operative Society is a purely democratic concern. The Government thrust their nose into it, and take upon themselves the responsibility of supervising it.

President.—Do you mean to say that without our Co-operative Registrar the Co-operative Societies can get on?

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. K. S. Rama Ayyar.—The people of Cochin must be able to manage the Societies without the Government. It is only then that they can be called to have come to their proper status. But now they think they cannot manage them properly. They want supervision from the Government. It is to see that they do things properly that a supervisor or a Registrar is appointed. As far as I can see, Government supervision over Co-operative Societies should be done away with, and people should be left to themselves.

The Co-operative Bank that I was managing for eight years was doing splendid work without Government help. We never asked for it, and we never got it.

President.—Why is it then that the Co-operative Institute is asking for money ?

Mr. K. S. Rama Ayyar.—The Institute is doing charitable propaganda work, Sir. It does not utilize the funds for lending purposes.

Now, a word about the Central Bank also, i. e., the Head Office for all the Societies of the State. I was a Director of the Central Bank for some years. The Directors of the Bank most foolishly—because they did not know their powers—went and begged the Government for some cash credit or loan. After many months of begging, they got a cash credit of Rs. 25,000

President.—They got substantial loans from the Government.

Mr. K. S. Rama Ayyar.—That was perhaps after I left it. I do not know.

President.—Mr. Pisharodi, how much did we give to the Co-operative Central Bank ?

Mr. K. Krishna Pisharodi—Rs. 85,000, Sir, security deposits.

Mr. K. S. Rama Ayyar.—That was another thing. That was done under pressure. It was at the discretion of the depositors. They would get interest for the money deposited in the Central Bank, whereas for the money deposited in the treasury they would not get any.

The Government thought that the cash credit of Rs. 25,000 granted to the Central Bank was a great concession extended to them. But I do not think so. I may, in this connection, say that the Central Bank is built upon the very solid foundation of the unlimited liability of nearly 100 Societies. The Government were wavering for many months. It was after so much of wavering that the Government at last gave this amount. I was all the while for refusing it. I told the Secretary and the other Directors not to go in for any money from the Government. I

LIBRARY ARCHIVES Kerala Legislative Assembly

also told them they would, if they would wait for some years, be able to stand on their own legs. They were true Cochinites and betrayed their weakness. They wanted to go up to the Diwan many times. I never went. The result was that they got this amount in the end.

As I said, the Co-operative Central Bank is built upon a very solid foundation. The Government gave only a cash credit of Rs. 25,000 because they did not know the value of co-operation. Some limited companies, doing banking business in the Cochin State, who have their head offices outside the Cochin State, get deposits from our Government without their asking for them. That is because they have created some sort of confidence in the Government. What I would suggest is that people must start banking concerns, work them satisfactorily, create confidence in the Government, and then Government money will come without their asking for it. Then, the Government will not go in for depositing their money in any outside bank. The Government deposit their money in the outside banks, seeing that they are being managed properly.

I will now again refer to the Co-operative Institutions. The institutions started in the State are all built upon a ten-thousand times more solid foundation.

The Co-operative Bank got only a cash credit of Rs. 25,000 not because it did not create the necessary confidence in the Government. The Government did not have the necessary information, nor did they care to collect any, about co-operation to know what a Co-operative Central Bank was. The Co-operative Societies did not do more business, because they did not want to do it. They are building up little by little. If they care only for business and profit, they can conquer the whole of the Cochin State in seven days' time. They did not want to do it all on a sudden.

President.—You still continue to be the Director?

Mr. K. S. Rama Ayyar.—No. Sir.

Let me point out that the Government would be committing a great mistake in starting a State Bank or in allowing the people to start one under the name "State-aided". It will be a practical impossibility for the Government to undertake to aid it at the outset. People will have to work for it, create the necessary confidence, and Government money will come into the bank unasked. That is the right procedure. Otherwise, the Government will be doing the people harm. I ask whether there are half-a-dozen people in this House who are willing to co-operate with the public in starting a Bank. I doubt very much. There are some people here who know more

LIBRARY ARCHIVES Kerala Legislative Assembly

about America than about the Cochin State. I was surprised to hear them say that there are State Banks in America. People who do not know anything about America should keep quiet. They should not say anything.

Dr. A. R. Menon.—Sir, I am not a banker nor do I know anything about the mysteries of a banking concern. I entirely endorse the remarks that fell from the lips of the Hon'ble Member for Trippunittura so far as the characteristic features of our people are concerned. Certainly, I admit that the terms he used were not complimentary, but truth compels him to subscribe his views about the want of character in our people. I think he is entirely justified in calling us that species of animals called 'invertebrate'.

Mr. A. B. Salem.—I do not subscribe myself to that.

Dr. A. R. Menon.—But I entirely endorse that view. The Government exist for protecting the interests of the people over whom they rule. The Member has made a comparison to people in England and America, and he drew certain comparisons with the banks in Travancore, Mysore and Baroda. England and America are not places for us to copy. They are, no doubt, very good ideals, but impracticable for the time being. When we reach the height they have reached—and that height we will not reach all at once— then, we will be in a position to imitate them. But something must be done for the time being. Something is certainly better than nothing. We may imitate those States, namely, Travancore, Mysore, etc., about which we are accustomed to draw comparisons. In Travancore, they have recently started a bank, and I have not been able to find out whether the people have undergone a great degeneration since the existence of the bank; nor have I found out that the people have been much worse for the existence of a Bank there. The same remark applies to Baroda also. Therefore, there is no use telling us that we should do what people do in the other hemisphere; nor is it proper to say that there is no bank anywhere except in India where State aid is not given. The Hon'ble Member is entirely mistaken in saying that in England the Bank of England does not get the support of the British Government. It is, practically, a Government bank in this sense, that all the Government money is deposited in that Bank. That is a great help that the Government can render.

President.—Mr. Rama Ayyar's point is that, if a bank conducts its business in a solvent way, State aid will be freely given.

LIBRARY ARCHIVES Kerala Legislative Assembly

Dr. A. R. Menon.—But such a bank will not be able to establish its position without working for a number of years. I can understand that the Government will deposit its money in banks which are able to offer security. We all can understand that very easily. But how can we establish a bank of that character? I cannot imagine that a bank—a bank which will be able to compete with the Imperial Bank or the National Bank—will spring up without Government help. What is the position of the Imperial Bank? It did not spring up all on a sudden. It is supported, it is subsidised to a very great extent, by the British Government, and do you know what the Bank does? If we refer to the evidence given by the gentleman who represents the commercial interests in the Imperial Assembly, you will find that he says that the Imperial Bank purposely withheld money from the Indian concerns, and gave it to the European concerns. Many Indian concerns consequently failed. There is a kind of confidence established between the Government and the Bank. The Government puts its money in the Bank, and the latter gives the money to the industries, whenever the industries require it. A bank of this nature is not intended for small deposits or for small loans. Its main function is to render help to big concerns in the State. For example, take the case of the mill in Trichur: As I said this morning, the mill is going through a great financial crisis. They want a little money for the time being. Where can they get this sum at a reasonable rate of interest? It is impossible. Outside banks come in, and after offering proper security, takes away money from our State. Again, take the case of the mill in Trichur which puts food in the mouths of 10 thousand people, in a town of 40,000 people. Does the Member mean to say that a work like that is a work wasted upon our people? Is it not the duty of the Government to look to the material interests of the people, not only rich but poor also? In what way can the Government do greater service to the people than in establishing a bank and giving timely help to all the industries that are in existence?

Now, take the agricultural side. Our people will resort not only to paddy cultivation but rubber, cotton and various other cultivations. All the low lands have been occupied, and our people will go to the highlands for cultivation. All big concerns require money, and a bank which is in a position to give money will be rendering a great help to them. I confess to you, Sir, I cannot conceive of a greater duty on the part of the Government than looking into all these matters which vitally concern the interests of our people. This is not a matter which can be trifled with.

LIBRARY ARCHIVES Kerala Legislative Assembly

I entirely agree on one point with the Hon'ble Member for Trippunittura in that the State should not have a State Bank. From past bitter experience, not only of this State, but of all countries, we see that, wherever the State interferes with a commercial concern, the concern has come to grief. Direct interference is one thing; direct help is another. The Government should render all help to a State-aided Bank, but not to a State Bank. The Government must deposit all their money therein. They must take particular care to see that the Bank is properly managed. They should have representatives in the Board of Directors. They should have extraordinary powers of interference, and if and when they think it necessary, to safeguard their interests. A bank supported under such conditions would be rendering greater service to our people, and would be improving our material interests. Also the money that you are now depositing in the Bank of Mysore should be deposited in it. You have deposited a large amount in the Bank of Mysore. I confess I cannot understand the moral right of any Government to collect money from the tax-payers, take it away from their territory and deposit it with another Government for the benefit of that Government. I submit it is a great mistake. When you get more money than what you want, you should deposit it in your Bank, provided you get ample security. Our State will have to face great commercial problems in future. Certainly, Cochin will be just like Bombay, and great commercial firms will spring up, and a Bank now established will be a great boon to our people. It will add materially to, and decidedly improve, the prosperity of our people. In these circumstances, I do not agree with the mover that it is to be a State Bank; but I entirely give my heart-felt support for a State-aided Bank.

Mr. N. Padmanabha Menon.—I support the resolution in its amended form. I am sorry the Hon'ble Member for Trippunittura has not viewed the issue in its true perspective. I fear he had in his mind a department of the Government intended solely to make a gain out of the banking business. I think the idea underlying the resolution is that there should be an institution entirely under the control of the Government with the object of giving financial help to such of the people of the State as stand in need of it. Whatever may be the form in which the resolution has come up before the House, I believe this is the idea underlying it. In discussing this resolution we are obsessed with the condition of countries like England and America. We see, or rather we are prepared to see only their present financial prosperity, forgetting at the same time the steps by which they rose to this financial prosperity. I need

LIBRARY ARCHIVES Kerala Legislative Assembly

not give any detailed instances of these steps. England is a great commercial country, and if we enquire in detail into the various steps by which she has attained such commercial prosperity, we would be wondering at the moderation of this resolution. There was a time in England when the fishing trade was not very prosperous. The Government stepped in and said that, on particular days, the English people must eat fish. That is only one of the instances. At a time when the people stand in need of a helping hand from the State to support any concern, whether industrial or commercial, the State must be prepared to do that, not with the object of making a profit therefrom but with the object of being a source of help for the people to appeal to. I believe it is with the intention of creating such a source that this resolution has come before this House. For my part, I do not see the least objection to the State interfering in the matter. The State need not control or guide it for ever. Gradually, as people become prepared, or become willing, to take charge of it wholly, the State can withdraw from it—as, for instance, by selling annually a certain number of shares to the public, the State can withdraw from the concern totally within a prescribed period. I am sure a time will come, when the whole bank will be in the hands of the people with benefit both to the people and the Government. There is absolutely, Sir, no force in the argument that the surplus amount of the State cannot be utilised for the benefits of a State-aided Bank. What is the profit that the State derives by investing it in the Nedungadi or the Imperial Bank, and why did the State invest it in these banks? I may be corrected, when I say that the money is invested in the Nedungadi Bank, because that bank wanted funds for its working in the Cochin State.

President.—We get a higher rate of interest.

Diwan Bahadur Dr. V. Verghese.—That reflects on the solvency of the Nedungadi Bank.

Mr. N. Padmanabha Menon.—I do not question the solvency of the Nedungadi Bank. What I said was that the Nedungadi Bank wanted to open a branch in the Cochin State. They wanted help from our Government, and our Government readily granted that help. That was all I said. I cannot understand how the Member in charge of the Medical Department was able to say that my remarks were a reflection on the solvency of the Nedungadi Bank. On the other hand, I have a great admiration for the slow processes by which its present position and great reputation were built up.

President.—It is doing very good work.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. N. Padmanabha Menon.—Sir, if the Members of this House will care to go through the evidence before the Royal Agricultural Commission, it will be plain to them that the greatest need of the Indian ryots is capital at a cheap rate of interest. My friend, the Hon'ble Member for Trippunittura, was putting in a special plea that the whole business must be left to private enterprise. What is the sort of private enterprise, I ask, that obtains in our State in the matter of banking? A discussion in detail is necessary. What we want is a Usurious Money-Lenders' Act, and it would be coming before this House very shortly. I may say for the present that the *Hundi* merchants act as leeches in the financial world. Even registered banks are not above them. It is to save the poor people from such money-lenders, people who cannot afford to invest too much money in these banks, people who cannot afford to buy shares which are selling very high in these banks, that this resolution should be accepted by the Government. It would afford relief to the poor agriculturists and traders who stand in need of ready money at a cheap rate of interest. The Government should not support them for ever. They need give them only timely and occasional help in order to enable them to carry on their business, and for this a State Bank is necessary. It is not proposed that the Bank should be perpetuated for ever under the Government. There is absolutely no principle in saying that the Government should not lend a helping hand in these matters. Even in this century, while the Great War was raging in Europe, the English Government had to embark on a policy of State participation in private capitalist enterprises. We are on the safer side, and I am sure, as we are embarking on a course which is very useful to the people at large, we are on the better side.

On these grounds, I support the resolution in its amended form.

President.—I want to know the precise way in which the State-aided Bank could be started. Do you expect the Government to arrange a number of private people to start a Bank? Let some people join together and start one. Then, you better ask for Government help. We will readily give you necessary funds. Should not a number of private persons meet together and discuss about these matters? We want to know the position clearly so that we can understand Mr. Rama Ayyar's point. Then we will know that there is some force in his argument. He only says that we should not take the initiative.

Mr. A. Sankara Puduval.—When once the State is prepared to grant some aid, the position of the people of the State is a matter of detail.

LIBRARY ARCHIVES Kerala Legislative Assembly

President.—What is the meaning of the State starting a bank? You may start a bank. To whom is this offer to be made? Is there any recognised institution to which this offer could be made? What I say is this: half a dozen people from among you should think over the matter, collect all the necessary funds, meet together, discuss the matter and resolve upon starting a bank, and then consider the propriety of asking the Government for a loan and such help as is necessary. Then, it will be time for Government to consider the matter. Of course I can understand the mover's resolution to start a State Bank. But when you come to a State-aided Bank, it is implied that there must be already something in existence before you ask the Government to aid it.

Mr. A. Sankara Puduval.—The apathy of the Government—I am only making an inference—the Report submitted by the Banking Committee perhaps deterred people from opening a bank and asking for Government help. The Committee showed considerable enthusiasm.

President.—And a very learned Report was submitted. I must say that.

Mr. A. Sankara Puduval.—But a learned Rreport does not meet the requirements of the people. The position of the Government is now made clear. If a proper private agency is forthcoming to run a bank, the Government will render all possible help. I do not know what good would result to us if we go on encouraging other banks.

President.—If the citizens of the State start a bank, do you mean to say that the Government will not deposit their money in the same, in preference either to the Nedungadi Bank or the National Bank?

Mr. A. Sankara Puduval.—May I know, Sir, why Government money is not invested in local banks?

President.—You please understand. The Imperial Bank gives a certain rate of interest—3 or 3½ per cent. In the National Bank they always pay 5 per cent. The Nedungadi Bank gives 6½ per cent. There will be great deposits. The Imperial Bank reduced the rate of interest. So we withdrew our money from that bank; and deposited the same in the Nedungadi and the National Banks. This question was at first mooted before me. Our money was lying in the Imperial Bank. That is the situation. That is how we came to deposit our money in the Nedungadi Bank. So far as the Indian Bank is concerned, they sought Government help, and we rendered them help. Now, you ask us why you are giving money to this and that bank. I ask what is it that you want us to do?

LIBRARY ARCHIVES Kerala Legislative Assembly

We must adopt all safeguards. we must see that our money is secure.

Mr. N. Padmanabha Menon.—I wish to give a particular instance. When the Tanneries were floated, the impression was that the Government—there was some sort of assurance given by the Government—will keep control over its working.

You know, Sir, that, within a very few months, after the floating of the company, many shares were sold, because the people had faith in the control of the Government. Unhappily, for circumstances beyond our peoples' control, we are placed in such a position from which we cannot either control or run very great business enterprises.

President.—That is your point of view. I say, so far as the Government is concerned, all that the Government should do is to make conditions favourable for private persons to start enterprises—commercial, industrial or any other. The Government of its own accord should not go as merchants or industrialists or agriculturists so that, if you want help by way of money, if you want propaganda work, if you want expert advice, the Government must be prepared to help you, but never should the Government start enterprises.

Mr. N. Padmanabha Menon.—I was saying at the very outset, Sir, that the object of the resolution was not to make the Government run a private company from which profits should be derived. The Government must render help to the people; that is all. It is under a mistake that the Member for Trippunittura took up such a position.

President.—That was Mr. Rama Ayyar's position?

Mr. N. Padmanabha Menon.—With regard to that position, I do not want to say anything.

President.—The first condition must be satisfied. The body must come into existence in order that the State may render necessary aid. It is not the Government that must make necessary endeavours to start a State Bank.

Mr. N. Padmanabha Menon.—Sir, your ideal is one with which it is very difficult to disagree.

Mr. M. K. Raman.—I rise to support this motion in the amended form. I quite agree with the President in saying.—

President.—I only make observations to make matters clear. I have not laid down any position or decision or anything like that.

Mr. M. K. Raman.—I quite agree with the President's observation that the State itself cannot go out of its way and conduct a commercial concern. And whether the State can start an aided bank is also a matter of some doubt to me. But

LIBRARY ARCHIVES Kerala Legislative Assembly

the resolution, as it is amended, is sufficiently wide. The mover of the amendment has introduced a clause also for at least giving financial aid to sound banks registered in Cochin and conducted by Cochinites, taking sufficient safeguards and guarantees for the proper use of the public money entrusted. I suppose that also forms part of the resolution. Now, there can be no difficulty for the Government to render some aid to certain concerns which are already existing. I know, at Trichur, the Ezhuvas have an organisation called "the Cochin National Bank," which is working very satisfactorily, so far as I know. And there are similar institutions at Trichur and in other places. I suppose, now, the Government can take sufficient safeguards that their money is properly entrusted, and render some sort of help to these enterprises. As it stands, as the learned Member for Trippunittura characterised, in this banking business, "invertebrates" as we are, we require some sort of protection, and there must be somebody capable of taking proper care of our concerns. Otherwise, we may go to rack and ruin. So, when the Government comes to aid with a substantial sum of money, and when the Government will be prepared also to exercise a sort of control over these banks to see that moneys are properly managed, I suppose we will be able to carry on with these enterprises satisfactorily. That aspect of this resolution, I warmly support.

President.—So that, you don't support the amendment as it is. The words "State-aided Bank" also occur here.

Mr. M. K. Raman.—Of course, I have got my own doubts about the practicability of floating a State-aided Bank as it is. At the outset, a sum of money should be promised or given to some persons, and they must be induced to start a bank. If money is put into their hands, the Government will have to exercise a sort of control over them.

President.—I think we may have the discussion on the subject by the Revenue Member.

Rao Sahib Mr. T. V. Kasturi Ranga Ayyar—Sir, this is a very important resolution, and it is indeed a matter for gratification for all of us in this Council that it has been so ably moved by our Lady Member.

Well, so far as I can understand her resolution and the arguments in support, it is not exactly a State Bank or a State Banking Department—that is to say a State Bank run by the Government, with Government surplus, the Government receiving deposits, the Government lending money on mortgages and all that a kind of thing constituting a regular State Banking Department—that the mover had in her mind. Well, every State

LIBRARY ARCHIVES Kerala Legislative Assembly

and every Government require a bank to deposit their surpluses. For our State, we have got the Imperial Bank of India, the National Bank, the Indian Bank, and the Nedungadi Bank, in all of which we have invested our money. Probably, the idea in her mind is a bank patronised by the State. I suppose, if I understood the mover as well as the other Members who spoke on this resolution, what they want is a bank patronised, helped and controlled by the State and not run by the State.

President.—I think the mover of the resolution wanted a State Banking Department just like our other departments. You know the Government departments, with the Heads of Departments and subordinates, subject to rules and orders and all that. You want a department like that, just for the purposes of banking?

Sy. T. Madhavi Amma.—Not exactly, Sir

President.—We want to understand what your exact idea involved in this is. The only way in which I understood you was that it must be a department of the State conducting banking business. But if you want us to understand it in a different way, you may explain.

Sy. T. Madhavi Amma.—But in such a case a corporation of the people may also be invited. We must ask them to invest their money in the bank. Of course, if it is a State Bank, they will.

Rao Sahib Mr. T. V. Kasturi Ranga Ayyar.—I don't know, as the Public Works Member said, whether anywhere in the world there is any Government running a bank of their own accord. I have not heard of any. There may be banks patronised or controlled and helped by the State. I think the mover wants a bank patronised by the State.

Sy. T. Madhavi Amma.—I want a bank helped and controlled by the Government such as in Mysore and Baroda, i. e., a State-aided Bank.

Mr. A. B. Salem.—The mover accepts the amendment. It comes to that.

President.—What sort of a bank have they at Quilon or Alleppey?

Diwan Bahadur Dr. V. Verghese.—Now, it is in Alleppey. That is the only State-aided Bank in Travancore.

Rao Sahib Mr. T. V. Kasturi Ranga Ayyar.—I think I can go on.

Well, if I can understand correctly the attitude of the Members who spoke and also the circumstances that led to the formation of a Banking Committee a few years ago, their idea was that, if all the surpluses that we are able to put to

LIBRARY ARCHIVES Kerala Legislative Assembly

together in the State, and which we invest in the Bank of Madras, the Imperial Bank and others, can be put in an institution in the State, and made use of for our agricultural, industrial and commercial purposes, that will be adding to the economic prosperity of the people and resulting in a great deal of help to our artisan and agriculturists. It was with that object in view that a committee was appointed six or seven years ago.

So far as the fundamental principle is concerned, there can be no difference of opinion that the State surplus should, as far as possible, consistent with the resources of the State, be made available for the economic development of the country as a whole. No one can take objection to this fundamental principle. It was on the basis of this fundmental principle, that our Government appointed a Committee to enquire into the conditions of banking facilities in the State. That Committee submitted a very able and learned Report. The Government at the time examined that Report carefully, and found that the Committee's recommendations could be grouped under three heads:— 1. Agricultural, 2. Industrial and 3. Commercial. "Agricultural" and "Industrial" related to what is called production, and "Commercial" related to distribution. The Government found, on carefully examining the recommendations in the Committee's Report, that they related more to distribution and less to production. In other words, their recommendations were specific in the matter of establishing a commercial bank, while the recommendations were vague and indefinite in regard to agricultural and industrial concerns which relate to the head "production." Production must precede distribution, and the Government felt that their resources should be utilised both for productive purposes and distribution purposes.

And even, for commercial purposes the Government then considered the demand made by the Committee, on their resources was rather a very big order. The Committee recommended that five lakhs of rupees should be deposited, in that bank without any interest (Para 38 of the Report). The full and analytic statement of the Committee's recommendations made by M. Rama Ayyar, the Member for Trippunittura a few minutes ago, went to greet in our minds. I need not weary you by re-stating the recommendations of the Banking Committee. Their chief recommendations were, if I understood them correctly, they wanted five lakhs of rupees to be deposited by the Government, for which no interest will be paid and the five lakhs on a nominal interest. This large amount must remain as a deposit till the new concern was able to earn a dividend of 7

LIBRARY ARCHIVES Kerala Legislative Assembly

per cent. And then, they wanted the Government to incur capital expenditure for buildings—a lakh and a half—and then, the initial working charges and a number of other concessions. The fact remains that, for industrial and agricultural development purposes, the Government had to find out a large sum of money. We had our economic development scheme then, we had our land assignment scheme, and a large sum of money was required for that purpose. Then, there was also the Harbour scheme and closely associated with it the Vendurutti reclamation scheme, to be followed afterwards by our Railway broad-gauge conversion scheme. The balance to our credit at the time, when the Government received that Report was only 33 lakhs of rupees. Out of that only 15 lakhs or so remained as investments which could not be withdrawn easily. At that time, therefore, the Government were not in a position to pass any definite orders on the Committee's recommendations, because those recommendations were rather too heavy for our Government to bear and to pass any satisfactory order. They were not in a position to arrive at any satisfactory conclusion without ascertaining what our demands will be in regard to Harbour, Railway, and other enterprises—industrial and agricultural. So no order was passed at that time. Time is always on the move, it is flying, and it was only very recently we were able to ascertain what exactly we would have to contribute to our Vendurutti reclamation works within the next three or four years. With regard to the Railway scheme nothing definite is known. The surplus we have now according to the recent financial statement, the budget estimate for 1102, with the figures of which this House is very familiar, is only 48 lakhs. Of this, 12·7 lakhs will be absorbed by the contribution to Harbour works inclusive of 6.7 lakhs already paid. Investments that cannot be withdrawn in the near future, advances recoverable and similar items make up 12·3 lakhs. Deducting these items, the surplus will be only Rs. 23 lakhs. Practically, the whole of this may be required as working cash balance for running the every day administration *and* for financing urgent irrigation schemes. It has also to be borne in mind that the transfer of the surplus from investments to outlay on capital works will result in appreciable reduction in the revenue under "interest," while the capital works will necessarily take some-time to yield any tangible profit. I specially lay emphasis on a word *and*, as we cannot neglect irrigation. So that even, if we take in here the Banking Committee's Report for consideration, the Government are now exactly in the same position or even in a more difficult position than they were when

LIBRARY ARCHIVES Kerala Legislative Assembly

they received that Report in 1920; so any help from the Government almost similar or even half of that as recommended by the Committee, you will all agree, is absolutely out of the question. Then, if you ask "what can the Government do in a matter like this", as observed by a number of Members who have spoken on the resolution, I can only say that all that could possibly be done consistantly with our resources. Well, our financial conditions will have also to be examined by the Special Finance Committee—it is one of the terms of reference to that Committee. We must have some idea as to what outlay will have to be incurred on the economic and irrigation schemes without causing any financial embarrassment in the near future. And then, this is a matter which also requires to be examined by the Economic Development Board.

Well, if only some enterprising business men of our State organise themselves and open what I should style a "Central Commercial Bank" as distinguished from our Central Co-operative Bank and approach the State for financial help, we can render them such help, however small it may be, however slight it may be, as the then financial conditions in the State will permit. Nothing more can be undertaken by the Government, and no further assurance than this can be held out. It is not possible for any Government to give any definite assurance in a matter like this. All the facts are before this House. If all enterprising gentlemen engaged in commerce, organise themselves, collect a substantial amount in the shape of share capital and come forward, make definite recommendations to the Government; I assure that the Government will carefully, anxiously and sympathetically consider those recommendations, examine the financial conditions of the State at that time, and grant such help as the financial conditions will admit, without causing any financial embarrassment. That is all that a civilized government, and our Government can do. I now conclude by once more offering my hearty congratulations to the Lady Member for moving such a manly resolution in such a manly manner.

Mr. A. B. Salem.—I wanted, Sir, to be a listener to this important resolution than to be a contributor to the discussion. But having heard the very beautiful, eloquent and diplomatic statement of the Revenue Member, I rise to congratulate him as the best charming player on the harp of the Government. Shall I characterise his statement as the best piece of official hypocrisy, and if that be a strong word, I would, say his was a diplomatic way of putting things.

Sir, I am not here to support the statements that have fallen from the Members regarding Cochinites as "Invertebrates" with a capital "I". I emphatically protest against it. I say, Sir,

LIBRARY ARCHIVES Kerala Legislative Assembly

there are many vertebrates here. If the Cochin people are invertebrates, then the Government which draws its men from them are equally invertebrates. I do not subscribe to it.

Mr. K. S. Rama Ayyar.—I never said, Sir, that the people of Cochin are invertebrates. I never meant any reflection.

Mr. A. B. Salem.—I want that statement to be corrected.

Mr. M. Krishna Menon.—A statement that the Member never made.

President.—Do not understand him in that light. He never meant to cause any reflection. He had certain definite views on the subject. He advanced them forcibly and fearlessly. Do not misunderstand him. He is a man with the best of motives.

Mr. A. B. Salem.—Then, I shall come to the business. The Cochin Government has been here before the Trichur Bank. Now, the Trichur Bank is a bank composed of Cochinites. In answer to question 70 of the budget session of 1100, an answer was elicited from the Government to show that the Indian Bank which came here only the other day had two and a quarter lakhs deposited by the Cochin Government there, the Nedungadi Bank 80 000, and the Imperial Bank one lakh and ten thousand. The National Bank had 3 lakhs and 15 thousand, and what did the Cochin people's Bank have? The Trichur Bank is a Cochin people's Bank. It had only Rs 50,000. Now, I ask you, Sir, is that patronising a local bank? Is that the sympathy that has been boasted of by the Revenue Member? Is that the practical sympathy or is that the only big sympathy? That is the question I put. We have had several bitter experiences, and therefore, I say this. Trust begets trust. If you trust a man, he will trust you in return. Like begets like all over the world; and I cannot imagine a greater sin on the part of the Government than not to trust its own people. *The Government must trust its people, and the people must trust its Government.* That is the most happy state of affairs, and if the people and the Government trust one another, there is no reason why banks should not spring up here, manned by local men and local capital to do the little work that we have here. I say, Sir, that co-operation has not been called for—has not been drawn out in the country, and that is the reason why we are economically depressed. There is much talent but encouragement has not been sufficient. Let me ask, Sir, one question. "Is there any country in the world that can call herself progressive that has not waded through seas of failures?" The South Sea Bubble, the Arbuthnot failure these are all colossal

LIBRARY ARCHIVES Kerala Legislative Assembly

failures that the people have gone through. Similarly there was the Alliance Bank failure. Failures are stepping stones to success. Supposing the Tanneries fail, and the Potteries fail, is that sufficient reason to say, "You have failed once; you will not succeed any more"? I have been advocating here that the Government has no commercial brain or commercial talent. They must stand apart and encourage.

Rao Sahib Mr. T. V. Kasturi Ranga Ayyar.—You come with a bank. We will render all possible help.

Mr. A. B. Salem.—I am very glad to hear that statement. You will see that, within 7 days, a bank will come to you. I hope you will fulfil your sympathy in a practical manner.

President.—Within how many days?

Mr. A. B. Salem.—Within 7 days, I shall form a committee.

Dr. A. R. Menon.—If a substantial bank would approach you, would the Government consider this question in a favourable light?

President.—This is a hypothetical proposition.

Rao Sahib Mr. T. V. Kasturi Ranga Ayyar.—I said very clearly that the Government would anxiously, sympathetically and carefully consider.

President.—We are not indifferent to the interests of the people.

Mr. K. Krishna Pisharodi.—We have practically very little surplus to assist you now.

Mr. A. B. Salem.—May I know the state of investment to day, Sir in the foreign banks?

President.—We have not got figures now.

Mr. A. B. Salem.—We only want to know roughly; that is all. How much has been invested in the Indian Bank, the National Bank and the Imperial bank? May I know the investment in any of the Cochin local banks?

President.—We have invested some amount in the Imperial Bank, and some in the Indian National Bank also.

Mr. K. Krishna Pisharodi.—Nothing in the Indian Bank.

Mr. A. B. Salem.—May I know whether there is any money of the Cochin Government lying in any of the banks registered in the Cochin State and doing work here in Cochin territory? May I know whether one single rupee is remaining in any of the Cochin banks to-day? Why don't you answer "yes" or "no"?

Rao Sahib Mr. T. V. Kasturi Ranga Ayyar.—Is the Member in order?

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. A. B. Salem.—The information is with you, Sir. Your books will show.

President.—You should not address Members personally.

Mr. A. B. Salem.—I addressed through you, Sir.

President.—You should not violate the rules of decorum of the Council in discussion. We will now rise.

The House rose for the day at 5 p. m.

T. K. KRISHNA MENON,
Secretary to the Council.

LIBRARY ARCHIVES Kerala Legislative Assembly